

FISCAL NOTE

HB 515 - SB 767

March 20, 2003

SUMMARY OF BILL:

- Removes the sales tax exemption on newspaper sales.
- Provides for a state sales tax and local option sales tax exemption on clothing and school supplies for a period of 72 hours twice each year.
- Provides for reimbursement, by the state, to local governments for losses incurred by removing the local option sales tax during these time periods. This reimbursement would be for the net loss in local option sales tax revenue after initial losses are offset by the increase in revenue associated with the removal of the tax exemption on newspaper sales.
- Increases the allocation percentage of state sales tax to premier tourist resorts but leaves the current cap in place. As a result, there is no net change in the special allocation from the general fund.
- Currently, local governments receive a 4.5925% share from state sales tax collections. Under this legislation, this allocation would be capped at FY03 levels.

ESTIMATED FISCAL IMPACT:

Increase State Expenditures - \$80,400 One-Time
Decrease State Revenues - Net Impact - \$1,057,000

Decrease Local Govt. Revenues - Exceeds \$6,000,000

Estimate assumes:

- The increase in clothing sales resulting from the sales tax holiday would follow the pattern of other states that have enacted similar legislation. The result is three times the normal sales per day.
- The definition of school supplies would include small items such as paper and pencils rather than more expensive items like laptop computers.
- The amount of additional sales tax collected as a result of removing the exemption for newspaper sales is based on Department of Revenue estimates.
- The decrease in local government revenues is attributable to the cap placed on the amount of state-shared sales taxes. The bill caps the amount of state-shared sales taxes at the FY03 amount.
- A one-time cost of \$80,400 for systems changes associated with implementing the legislation.

CERTIFICATION:

This is to duly certify that the information contained herein is true and correct to the best of my knowledge.



James A. Davenport, Executive Director